

GAO

Briefing Report to the Chairmen,
Subcommittees on Defense, Senate and
House Committees on Appropriations

November 1990

ARMY BUDGET

Potential Reductions in Tracked Combat Vehicle Programs

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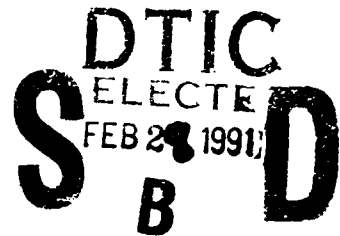
National Security and
International Affairs Division

B-222085

November 7, 1990

The Honorable Daniel K. Inouye
Chairman, Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable John P. Murtha
Chairman, Subcommittee on Defense
Committee on Appropriations
House of Representatives



As requested, we reviewed the Army's fiscal year 1991 procurement budget for the Abrams Tank and the Bradley Fighting Vehicle programs, which are included in the Army's Tracked Combat Vehicles budget. We also reviewed the Army's implementation of the fiscal year 1990 appropriations for these programs. Our objective was to identify opportunities for potential reductions. We briefed your staffs in July 1990 on the preliminary results of our review. This letter summarizes our review and appendix I discusses it in more detail.

We identified potential rescissions and budget reductions of \$545.9 million in the amounts requested or appropriated for these programs—\$440.8 million in fiscal year 1991 and \$105.1 million in fiscal year 1990. These rescissions and reductions may be possible due to (1) reduced requirements, (2) lower cost estimates, and (3) current funding that is not needed until after fiscal year 1991. Table 1 shows the potential rescissions and budget reductions by program.

**Table 1: Potential Rescissions and
Budget Reductions to the Army's
Tracked Combat Vehicles Programs**

Dollars in millions

Program	Fiscal year		Total
	1991	1990	
Abrams Tank	\$138.9	\$80.3	\$219.2
Bradley Fighting Vehicle	301.9	24.8	326.7
Total	\$440.8	\$105.1	\$545.9

As requested, we did not obtain written agency comments on this report. However, we discussed the contents of the report with officials from the Office of the Secretary of Defense and the Department of the Army and have incorporated their comments where appropriate. Our scope and methodology are described in appendix II.

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We are sending copies of this report to the Secretaries of Defense and the Army; the Director, Office of Management and Budget; and interested congressional committees. Copies will also be made available to others upon request.

This report was prepared under the direction of Richard Davis, Director, Army Issues who may be reached on (202) 275-4141 if you or your staff have any questions. Other major contributors to this report are listed in appendix III.

Frank C. Conahan

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Potential Reductions to the Army's Tracked Combat Vehicles Procurement Programs

We identified potential reductions of \$545.9 million from the Army's Abrams Tank and Bradley Fighting Vehicle procurement programs: \$440.8 million in the fiscal year 1991 budget request and \$105.1 million in appropriated funds for fiscal year 1990.

Abrams Tank

The M1A1 Abrams Tank is currently in production at Army-owned, contractor-operated plants near Detroit, Michigan, and near Lima, Ohio. The Army plans to award a production contract for 616 Abrams Tanks in January 1991—523 for the Army and 93 for the Marine Corps and a foreign country. The 523 M1A1 tanks for the Army are scheduled for delivery from October 1991 through March 1993. Funds appropriated in fiscal year 1990 will be used to fund production of 298 of the tanks. The remaining 225 tanks will be funded out of the fiscal year 1991 proposed budget. The M1A2 Abrams Tank, an upgraded version of the M1A1 Abrams Tank, is scheduled for initial production in 1992 by shifting production of 62 of the remaining 225 tanks to the M1A2 configuration.

Results of Analysis

We identified potential budget reductions of \$138.9 million for fiscal year 1991 and \$80.3 million in potential rescissions for fiscal year 1990 to the Army's Abrams Tank program. The reductions are attributable to (1) reduced requirements, (2) a lower cost estimate based on information available after the Army submitted its budget, and (3) eliminating funds not authorized to be obligated until after fiscal year 1991.

Reduced Requirements

The Army's fiscal year 1990 budget request called for closing the Detroit tank plant—one of its two tank production plants—in September 1991. However, the Congress appropriated an additional \$94.4 million in fiscal year 1990 to buy 33 more tanks. These extra tanks were to be used to keep new tank production in both Army plants at minimum sustaining rates through April 1992. These 33 tanks are part of the 523 tanks scheduled for contract award in January 1991.

The additional tanks are no longer required because the Army will now only maintain assembly operations at the Lima plant from October 1991 through April 1992. After September 1991, the Detroit plant will remain open only for manufacturing parts. Based on adjusted funding requirements provided by the Abrams Tank System Project Office, eliminating these 33 tanks would result in a potential rescission of \$73.7 million to the fiscal year 1990 appropriation.

**Cost Proposals Lower Than
Expected**

The Abrams Tank Project Office received lower contractor unit cost proposals for the next production lots of the basic vehicle and fire control components. These lower unit costs were obtained after the fiscal year 1991 budget was submitted. As a result, there is \$25.3 million in the fiscal 1991 budget request that is available for reduction, in addition to the reduction cited above, if the Congress cuts tank production by our recommended 33 unneeded tanks. The potential reduction would be \$28 million if the 33 tanks remain in the program.

**Funding Not Required in
Proposed Budget and Current
Appropriation**

The Army plans to begin production of its new M1A2 tank in 1992 through the use of an engineering change order. The change order will amend a contract award, scheduled for January 1991, for 523 M1A1 tanks to make 62 of them into the M1A2 tank. The Army's fiscal years 1990 appropriation and 1991 budget include \$120.2 million (\$113.6 million in fiscal year 1991 and \$6.6 million in fiscal year 1990) for transition to the M1A2 tank that the project office is not authorized to obligate until fiscal year 1992 when a production decision is scheduled. The Army will decide in January 1992 based on test results if they are going to produce the M1A2. The \$120.2 million available for rescission and budget reductions includes

- \$57.9 million for required changes to build the M1A2 tank,
- \$19.4 million to test pilot and initial production tanks, and
- \$42.9 million for contractor technical support to complete the technical data package and prepare user manuals.

Project officials agree that they are not currently authorized to obligate this funding until fiscal year 1992. However, program officials said they anticipate requesting a waiver from the Department of the Army giving them authority to obligate some portion of these funds before the production decision milestone. However, they had not determined the timing of the waiver request and the amount of funds to be involved.

**Bradley Fighting
Vehicle**

Through fiscal year 1989, the Army contracted for the production of 5,524 Bradley Fighting Vehicles. The Army's fiscal year 1991 proposed budget, released in January 1990, was based on a plan to purchase an additional 3,000 vehicles using a 5-year, multiyear contract to produce 600 vehicles each year. The multiyear procurement of the 3,000 Bradleys reflected an Army procurement objective of 8,811 vehicles. As a result of force structure changes, the Army reduced its requirement in April 1990 to 6,724 vehicles. The Army now plans to buy an additional 1,200 Bradleys to meet its needs.

Results of Analysis

The Army now plans to award a contract for delivery of Bradleys over 42 months but obligating all funds in the first 2 years. An alternate strategy could achieve the Army's objectives and offer a potential rescission and budget reduction of \$326.7 million from the fiscal years 1990 appropriation and 1991 budget.

The Army's revised procurement plan, approved on July 6, 1990, calls for obligating \$522.8 million in available fiscal year 1990 funds¹ and \$687.9 million requested in the fiscal year 1991 budget to award a 2-year, multiyear contract for 1,200 vehicles. Under this plan, the fiscal year 1990 funds would be used to procure 510 vehicles and the fiscal year 1991 requested funds would be used to procure the remaining 690. The vehicles are scheduled to be produced over a 42-month period starting in May 1991—400 to be produced in the 1st year, 300 in the 2nd and 3rd years, and 200 in the 4th year. Production is stretched out over 42 months to maintain the production base until November 1994 when the production of derivative vehicles, such as the Multiple Launch Rocket System, Line-of-Sight Anti-Tank vehicle, and sales to foreign governments are expected to increase.

An alternate approach would allow the Army to keep the same 42-month production schedule, but not require the funding for the final 18 months of production (500 vehicles) to be budgeted until fiscal years 1992 and 1993. Under this approach, the 1st year requirements (400 vehicles) would be funded from the fiscal year 1990 approved program and the 2nd year requirements (300 vehicles) would be funded from the fiscal year 1991 planned budget. Funding for the remaining 500 vehicles would not be required until fiscal years 1992-93. This funding stream would follow the Army's original 5-year, multiyear contract plan wherein the 1st production year was to be funded from the fiscal year 1990 budget; the 2nd year from the fiscal year 1991 budget; and the 3rd, 4th, and 5th years from the fiscal years 1992, 1993, and 1994 budgets, respectively. The 4-year, multiyear contract that we propose would result in potential reductions in the fiscal year 1991 budget of

¹There is \$607.8 million in the fiscal year 1991 budget request for Bradley Fighting Vehicles. The Office of the Secretary of Defense has requested congressional approval for reprogramming \$85 million, reducing available funds to \$522.8 million.

Appendix I
Potential Reductions to the Army's Tracked
Combat Vehicles Procurement Programs

\$301.9 million² and potential rescissions of \$24.8 million³ in the fiscal year 1990 appropriation.

The Bradley Fighting Vehicle System Project Office provided us with the program cost estimates for the 4-year, multiyear contract strategy and agrees with the potential savings calculations. However, project officials believe the 2-year, multiyear strategy is their only available option because projected Army budgets after fiscal year 1991 do not currently contain planned funding for the procurement of Bradley Fighting Vehicles. We believe this is an administrative decision that can be revised and does not justify the Army's proposed acquisition strategy.

²The \$301.9 million reduction from the fiscal year 1991 budget is the result of decreasing the vehicle procurement budget by \$271.4 million and eliminating the advance procurement budget of \$30.5 million.

³The \$24.8 million reduction from the fiscal year 1990 budget is the result of increasing the vehicle procurement budget by \$7.2 million and decreasing the advance procurement budget by \$32 million.

Scope and Methodology

This review is one of a series that examines defense budget issues. We reviewed the Army's fiscal year 1990 and 1991 funding requirements for the procurement of the Abrams Tank and Bradley Fighting Vehicle programs. These programs represented 82 percent of the Army's procurement of Tracked Combat Vehicles fiscal year 1991 budget.

In performing our review, we interviewed officials at the Abrams Tank System and Bradley Fighting Vehicle Systems Project Offices located at the Army Tank-Automotive Command, Warren, Michigan, and examined project office documents and budget support data. We also discussed our proposed budget reductions with Department of the Army and Office of the Secretary of Defense officials.

Our review was performed from January to July 1990 in accordance with generally accepted government auditing standards.

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